**Deepak Nayyar, *Catch-up: Developing Countries in the World Economy*, New Delhi: Oxford University Press, 2013, pp. 240, £25, ISBN: 978-0-19-965298-3.**

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Deepak Nayyar is that rare breed of economist who combines a sharp analytical mind with an appreciation of numbers and a clear understanding of how real economies function in a particular institutional and macroeconomic context. These qualities are on full display in this book, which examines some of the big economic trends that have shaped the world economy over the past two centuries. It is a fast and at times breathtaking ride across a broad expanse of economic history, which is sure to engage and stimulate economists, historians and geographers alike.

The book, an extension of an earlier UNUWIDER Annual Lecture, has a clear and ambitious objective, to resituate the place of developing countries in the evolution of actually existing capitalism and, in particular, to put more meat on the skeletal idea of an emerging South. There have been several recent volumes raking over the past to help understand the challenges facing today's developing countries—Ha Joon Chang's *Kicking Away the Ladder*, Erik Reinert's *How Rich Countries Got Rich and Why Poor Countries Stay Poor* and Daron Acemoglu and James Robinson's *Why Nations Fail* come immediately to mind—but in the opening chapter, Professor Nayyar suggests his is 'an untold story' because of its effort to paint those challenges against a much wider historical backdrop than previously attempted. Professor Nayyar is not, however, in completely unchartered territory; economic cliosticians such as Angus Maddison and Paul Bairoch have provided valuable markers and their research is generously acknowledged in the book.

Subsequent chapters document the economic gaps between industrial and developing countries that opened up with a new global division of labour in the early nineteenth century and continued to widen through the middle of the twentieth century, creating a deeply polarized world economy (Chapter 2). On Professor Nayyar's interpretation, this great divergence ended with the Second World War, but the developing world lacked a common economic direction until a new phase of income convergence took hold from the early 1980s (Chapter 4). He is hopeful this trend will continue as growth in more developing countries picks up pace (Chapter 9), in any event he already sees today's multipolar world economy as a radical break with the past.

A pivotal moment in this story is the industrial take-off in northwest Europe in the late eighteenth and early nineteenth centuries, which spread subsequently to, but was contained within, a relatively small group of countries making up the industrial core. Prior to this, Professor Nayyar describes a much flatter pre-capitalist world economy and attributes the change primarily to technological forces, albeit shaped by 'a complex mix of economic, social and political factors in the national context where history matters' (Chapter 3). While domestic sources of growth remain critical, a key element in the ebbing and flowing of these larger trends comes from the interaction of countries with the world economy (Chapter 5) which he describes as particularly disadvantageous to developing countries in the late nineteenth and early twentieth centuries during the rise of imperialism, disengaged but largely neutral until the late 1970s as these countries found a new independent political voice but failed to reform the multilateral architecture established at Bretton Woods and engaged and largely positive since then, in terms of beneficial trade, investment and labour flows.

Making sense of these broad trends, and the recent rise of the South, require an examination of the process of structural transformation, and in particular, what Professor Nayyar calls 'catch-up industrialization'(Chapter 6), a term he traces back to the work of the American economist Thorsten Veblen. He describes a dramatic transformation in the four decades between 1970 and 2010 during which the share of developing countries in world manufacturing output jumped threefold and its share of world trade rose even more sharply, along with a shift in its composition from primary products to low (and more recently to), medium and high-tech manufactures.

Having painted in very broad strokes and bold colours in the opening chapters, Professor Nayyar begins, at this point, to add finer detail and shading to his canvass, describing the different experiences with structural transformation across developing countries and regions and uncovering a more uneven development story over the last 60 decades, which includes growing divergences within and across the regions of the South (Chapter 7), along with growing inequality, exclusion and poverty within many developing countries suggesting that even faster growth has not always worked to improve the lives of ordinary people (Chapter 8). Together, these three chapters are the most insightful and challenging parts of the book, offering a subtlety of argument that is sometimes lost elsewhere.

In concluding, Professor Nayyar returns to the more abstract style of his early chapters, introducing what he calls the Next-14 (N-14), a group of (Brazil, Russia, India, China and South Africa [BRICS] plus) developing countries which he predicts will keep the momentum of a rising South going over the coming years (Chapter 9). Professor Nayyar draws on a previous observer of big changes in the capitalist order, Karl Polanyi, to hint at a 'Great Transformation' now underway in the South.

On closer examination, these closing reflections expose some of the pitfalls of his longer journey. Despite his own warnings about simple arithmetic projections of past growth performance, the final chapter is guilty of just this and it is difficult to see in his list of emerging economies (many of whose strong growth performance only dates from the new millennium) the shared set of initial conditions, enabling institutions and government action that he predicts will translate into a common catch-up experience. Indeed, after their initial hype—encouraged, it is worth remembering, by investment bankers—the recent performance of the BRICS has lost much of its lustre, with China emerging as the only likely contender for sustained catch-up industrialization. Unfortunately, there is little offered here to understand why this is the case. The even more obvious differences in institutions and policy measures, including in terms of their integration with the world economy, between say China and Tunisia or Kenya raise further doubts about the overly general claims of an emerging South, which close this volume.

There are, more generally, three issues that are keys to Professor Nayyar's narrative but where a lack of subtlety leads him to force his argument; these involve his turning points, outliers and interactions.

Professor Nayyar's narrative hinges on two *turning points*. He makes the early nineteenth century his pivotal moment in an emerging North–South divide. The reasons appear obvious from the data on gross domestic product (GDP) per capita ratios, which show a dramatic divergence between 1820 and 1950 (Table 2.4). However, Latin America does not fit this story, as the fastest growing region between 1870 and 1913, exhibiting weak (and erratic) convergence between 1870 and 1950, overtaking Japan in the process (and pulling ahead of Russia at least into the 1920s) (Table 2.5). This experience should have provided an initial pause for thought. But, perhaps a bigger worry is that in attempting to pinpoint this pivotal moment, Professor Nayyar simplifies how he sees the previous period, from the sixteenth to the nineteenth century. The impression he leaves is that developments in Western Europe and Asia were pretty much the same over this period and he repeatedly suggests that until the early nineteenth century, Asia (essentially China and India) and Western Europe had more in common than was different. It is not clear, however, even from his own numbers that this is the right conclusion. Both India and China were clearly stagnant economies over the three centuries between 1500 and 1820 while Western Europe was pulling ahead from the sixteenth century, followed in the seventeenth century by Eastern Europe and the eighteenth century by the Western offshoots (Table 2.3). The massive social and political changes and economic dislocations that set the stage for industrialization do not emerge from staring at per capita and income growth numbers, but without taking them on board it is impossible to explain the great divergence that follows. At this point, more than a passing reference to the big debates on the transition from feudalism to capitalism (Dobb, Sweezy, and, indeed, Polanyi whose passing reference does not do real justice to his argument), including from a comparative perspective, are needed to give the reader some sense of the conditions, both economic and political, for a sustained industrial take-off and the volume suffers for not providing it.

Nor is identifying 1950 as the second big turning point in this story fully persuasive; at least as an inflection point (or period) when the world moved from divergence to convergence. Again looking at Professor Nayyar's own data in Tables 4.4 and 4.5, it is difficult to see this. Growth certainly picked up in the developing world while Asia reversed its declining share of the world's population but developing countries per capita GDP relative to that of the advanced countries continued to fall on average until 1990, and later still in Africa and Latin America. The 1970s was a decade of convergence in part because the North slowed down sharply in the face of a series of shocks, but the story before and after that looks a good deal more complex than Professor Nayyar appears to suggest.

In fact, as Professor Nayyar adds layers to his untold story, it becomes increasingly clear that the changes he identifies have a very strong regional flavour. But more than that, *outliers* are much more critical to his story than he seems able to admit. Late twentieth-century catch-up industrialization is, as Professor Nayyar acknowledges, an Asian story. But, Asia is too blunt a classification when looking for explanations behind some of his broad historical trends. Looking East would be more accurate. The waves of industrialization after 1950, beginning with Japan, followed by the first-tier East Asian newly industrialized economies (NIEs) and more recently by China, have, albeit with distinct country twists, confirmed some familiar lessons about structural transformation. All these cases have built a virtuous circle between profits, investment, productivity and exports; thanks to strong policy interventions to manage the creative and destructive sides of markets (both domestic and international) and innovative institutional measures, particularly in the areas of finance, that help direct resources towards wider developmental and (but less effectively) social outcomes. Those elements do surface across other parts of the continent but not in a consistent or sustained manner—as developments in his own country surely demonstrate. But even East Asia can be an overgeneralization, as the differences, again with respect to the depth of their structural transformation between the first-tier (Northeast Asian) and second-tier (Southeast Asian) NIEs has revealed. Significantly, in his discussion of the N-14, Nayyar does indicate the importance of 'control mechanisms' to discipline economic behaviour (both public and private) which harks back to Gunnar Myrdal's distinction from his research on South Asia between 'hard' and 'soft' states. It is an idea that deserves more attention than it receives here.

In any event, and oddly absent from Proffesor Nayyar's discussion, is the negative impact of market discipline in recent years, linked to the rise of neoliberalism, on structural transformation in many developing countries, and in particular the resulting deindustrialization of Latin America and sub-Saharan Africa. Figures on industrial performance over time such as those recently collected by Benetrix, O'Rourke and Williamson in a recent NBER paper might have added to his analysis at this point. But even the growth turnaround across the developing world from the late 1990s needs more careful assessment given that it does not seem to have triggered real structural transformation in many cases and in some has actually seen industrialization go into reverse.

Overall, the identification of the N-14 group of successful latecomers is unconvincing encompassing too diverse a group of economies to be very useful. Even in terms of Professor Nayyar's own categories of initial condition, enabling institutions and supportive government, the differences amongst these countries are far greater than their similarities, and indeed, that their trajectories in the period under discussion were also really quite dissimilar.

Professor Nayyar certainly understands that complementary *interactions* between national and international forces are critical to establishing a virtuous circle of growth and development. He provides a very useful discussion of what he calls (Chapter 5) developing countries 'engagement with the international economy' laying out in very broad terms trade, investment and migration flows over the past 60 years. However, the suggestion that the convergence story reflects a turn from disengagement (1950–1980) to engagement (since then) is not fully convincing. It is certainly true that since the millennium there has been a very favourable conjuncture of international forces supporting growth in developing countries, but some caution is again warranted. Certainly, the much touted 'decoupling' thesis no longer seems very plausible, but more importantly the world economy has evolved in a different way from the three decades or so after 1945, but the dominant factor in that story has been the rise of finance capital. There is, however, very little discussion of finance in Professor Nayyar's story, which is a little perplexing, and adding it would, I think, make for a more cautious reading of recent trends. Indeed, even his discussion of foreign direct investment (FDI) flows, and the related discussion of global value chains, is surprisingly rose-tinted. Ray Vernon warned before he died that FDI figures should be treated with a healthy degree of caution and this again is even more true today with the financialization of production and the changing nature of transnational corporations (TNCs).

These three areas of contention emerge from a stimulating and challenging book. Professor Nayyar serves up much food for further thought. One can only hope that some of the missing elements in the recent story of emerging economies, and particularly those involving international finance, will provoke another stimulating volume to showcase the versatility and insights of one of the leading economic thinkers of the South.

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The present report *Regional Poverty Profile (RPP) 2009–2010* is the fifth in the series since 2003; it focuses on food security challenges for the poor and social inclusion in South Asian countries. The report not only documents the evolution of benchmarks on food, nutrition and agriculture in country-specific and regional synthesis terms, but also offers a wide range of best practices for government intervention to improve policy and programmes for the enhancement of the food and nutritional security of all the people in their respective countries.